

Depreciation Policy

Policy Reference Number	5742580
Responsible Department	Corporate Services
Related Policies	Budget Preparation Policy, Budget Review Policy, Internal Control Policy
Related Procedures	Asset Capitalisation
Date of Adoption	7 September 2010
Revised	16 May 2023

1. Purpose

The objective of this policy is to set out the methodology used by Council in determining and calculating depreciation for the purposes of meeting its financial reporting requirements. Financial reporting in the context of this Policy includes, but is not restricted to the preparation and presentation of the Annual Financial Statements, the Annual Budget, budget reviews and the LTFP (Long Term Financial Plan).

2. Power to Make the Policy

Council is empowered to make this Policy pursuant to Section 123 of the Local Government Act 1999 and Regulation 7, 9, 10, 11, 12 and 13 of the Local Government (Financial Management) Regulations 2011.

AASB 116 *Property, Plant and Equipment* provides guidance on the accounting treatment Council is to follow in regards to calculating and reporting depreciation.

3. Strategic Plan Link

This Policy has the following link to Council's Strategic Plan 2024:

- Leading our People (Goal 5)

4. Principles

The Depreciation Policy has been established to ensure that:

- Up to date asset values and useful lives are recorded and processed so that depreciation can be calculated and processed in accordance with the Australian Accounting Standards
- Users have an increased level of confidence in the asset related financial information provided by Council.

5. Definitions

The following definitions are based on those provided in AASB 116 *Property, Plant and Equipment*, where relevant:

Carrying amount	the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.
Depreciable amount	the cost of an asset, or other amount substituted for cost, less its residual value.
Depreciation	the systematic allocation of the depreciable amount of an asset over its useful life.
Model Financial Statements	the Local Government (Financial Management) Regulations 2011 prescribe the format and information South Australian Councils are required to provide when preparing their annual financial statements and budgets. There are four principal statements being the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows.
Residual value	the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.
Useful life	the period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by the entity.

6. Policy

6.1 Depreciation Method

- 6.1.1 Each component of an asset held in Council's asset register, excluding land, will be depreciated separately to reflect the respective useful lives relating to each component of a depreciable asset. Any remaining parts not comprising a specific component of a depreciable asset will also be depreciated.
- 6.1.2 The useful life of each class of assets shall be reviewed every financial year and adjusted where necessary to reflect the most recent assessment of the useful life of that asset class. The useful lives for the various asset classes are set out in Appendix 1, and are based on the best information relating to Council at the time of reviewing this policy.
- 6.1.3 Council uses straight line depreciation for all assets depreciated, as it is expected that the service (economic benefit) provided by them will be consumed in a uniform manner throughout their useful life. Under the straight line method the allocation of the depreciation expense is consistent over the useful life of the asset, provided the asset's fair value, residual value or useful life does not alter.

6.2 Depreciable Amount

- 6.2.1 The depreciable amount of an asset will be depreciated over its useful life in accordance with the depreciation method.
- 6.2.2 To assist in determining the depreciable amount, the residual value of an asset shall be reviewed every financial year. Where the residual value requires change, an adjustment shall be reflected in the asset's depreciable amount.
- 6.2.3 Where the residual value is equal to or greater than the asset's carrying amount, no further depreciation will be charged.

6.3 Period of Depreciation

- 6.3.1 The calculation of depreciation will commence where the asset is capable of being used for its intended purpose.
- 6.3.2 The calculation of depreciation will stop where an asset is held for sale, fully depreciated, or disposed.

6.4 Revaluations and Accumulated Depreciation

- 6.4.1 Where an asset is revalued, the gross amount of accumulated depreciation is restated in proportion to the gross carrying amount of the asset such that its carrying amount equals its revalued amount.
- 6.4.2 To align with the requirements of the Australian Accounting Standards, revaluations shall be undertaken with sufficient regularity in an attempt to ensure that the carrying amount of the asset does not differ materially from its fair value at reporting date.

6.5 Impairment

- 6.5.1 Assets subject to depreciation will be reviewed for impairment annually or where events or circumstances occur that indicate that their carrying amount may not be recoverable.
- 6.5.2 The tests applied to determine whether an asset is impaired and the subsequent accounting treatment will be undertaken in accordance with AASB 136 *Impairment of Assets*.
- 6.5.3 Where the recoverable amount of the asset is less than its carrying amount, the carrying amount shall be reduced to its recoverable amount, creating an impairment loss.
- 6.5.4 Where the impairment loss relates to a revalued asset, the impairment amount is firstly offset against its Asset Revaluation Reserve balance. Any remaining impairment loss amount shall be recognised in Council's Statement of Comprehensive Income.
- 6.5.5 Where the impairment loss relates to an asset that has not been previously revalued, the loss shall be recognised in Council's Statement of Comprehensive Income.
- 6.5.6 After recognising the impairment loss, the depreciation charge shall be adjusted by taking into account the revised carrying amount, residual value and remaining useful life.

6.6 Reversal of an Impairment Loss

6.6.1 At subsequent reporting dates, any impairment losses previously recognised shall be assessed to determine if they still exist or have changed.

6.6.2 Where the reversal of an impairment loss relates to a revalued asset, the portion of the impairment amount previously recognised in Council's Statement of Comprehensive Income shall be reversed. The remaining impairment loss reversal amount shall be added to the asset's Asset Revaluation Reserve balance.

6.6.3 Where the reversal of an impairment loss relates to an asset that has not been revalued, the reversal amount shall be recognised in Council's Statement of Comprehensive Income.

6.6.4 After recognising the reversal of the impairment loss, the depreciation charge shall be adjusted by taking into account the revised carrying amount, residual value and remaining useful life.

7. Review & Evaluation

Within six months of each new Council term Council will review this policy. Following this initial review this policy will be reviewed annually by staff with minor administrative adjustments being approved by the Chief Executive Officer.

8. Availability of the Policy

Copies of this Policy will be available at Council's principal office during ordinary business hours and at Council's website www.campbelltown.sa.gov.au.

Appendix 1: Useful lives by Asset Class, as recorded in Council's Annual Financial Statements for the year ended 30 June 2022.

Asset Class	Useful Life
Buildings	
Structure	30 to 100 years
Roof	24 to 40 years
Fire & Safety Services	15 to 20 years
Mechanical Services	15 to 30 years
Hydraulic Services	30 to 100 years
Lift	40 years
Building Fabric	30 to 100 years
Electrical Services	30 to 100 years
Landscaping	30 to 100 years
Pool	50 years
Infrastructure	
Road Surface	10 to 50 years
Road Pavement – Base Course	60 to 100 years
Road Pavement – Sub Base	300 to 500 years
Kerb & Gutter	60 to 80 years
Footpaths and Walkways	10 to 46 years
Closed Drainage and Culverts	30 to 100 years
Open Channel	15 to 100 years
Trash Racks/Gross Pollutant Traps	15 to 100 years
Traffic Controls Devices	10 to 55 years
Car Parks	10 to 100 years
Bridges	
Bridge Abutment	80 years
Bridge Structure	80 years
Bridge Decking	30 to 40 years
Bridge Column	80 years
Bridge Balustrade	40 years
Bridge Guardrail	40 years

Asset Class	Useful Life
Furniture, Fittings & Library Stock	
Library Stock	2 to 5 years
Furniture & Fittings	5 to 20 years
Plant & Equipment	
Fleet and Plant	2 to 15 years
Electronic Equipment	2 to 15 years
Catering Equipment	4 to 25 years
Sport & Recreation Equipment	2 to 22 years
Other Assets	
Barbeques	40 years
Bus Stops	10 to 40 years
Irrigation	40 years
Fences	25 to 40 years
Landscaping	25 years
Park Benches & Picnic Tables	20 to 40 years
Playground Equipment	10 to 40 years
Lighting	10 to 40 years
Shade Structures	15 to 40 years
Playing Courts	30 years
Synthetic Soccer Pitch	10 to 50 years
Miscellaneous	10 to 100 years